Fire Chiefs

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ts it, "to quickly turn a small tax bill into a ·ge one" should events again make that po- .cally desirable.

A sharp jump in interest rates, all agree, uld trigger such a stampede. Despite the orts of many economists to show there's .le connection between big deficits and ;h interest rates, most Congressmen—and)st Americans—are certain the two are ısely related. "Interest rates are the fuse," ys one trade association head. "If they be- ı to burn, then the Republicans on the Hill ll panic."

On whom might the fire next time de- end? Some business groups openly hope :y would be spared. The National Associa- n of Home Builders and the National Asso- tion of Realtors are backing a scheme ated in August that would sacrifice part of : scheduled indexation of individual in- me taxes against inflation in exchange for a : in the automatic inflation-adjustment of :itlements. Other possibilities: a tempo- y surtax on individual and corporate in- come and an increase in oil import fees.

But the revenue raisers' likeliest route is the one they took last year—closing so-called tax loopholes that mostly benefit business, such as slowing depreciation of buildings and repealing the oil depletion allowance. "That's what we've been looking at," admits a top Senate Finance Committee aide. "We could easily raise $73 billion through a TEFRA II." Practically no one thinks Congress is yet in a mood to raise bucks on that scale, but many agree the mood could quickly change. Says Norman Ture, a former Treasury undersecretary and leading supply-side theorist: "Businessmen should be up on the Hill insisting they won't be euchred again by any tax increase."

PUBLIC RELATIONS

Fighting Fire with Firemen

■ Usually a primitive affair of blunt tactics and raw muscle, lobbying on rare occasions achieves the finesse of a triple bank shot. A recent example is the tobacco industry's subtle strategy to deflect a campaign to regulate the flammability of cigarettes.

The aim of the campaign, backed by a coalition of firefighters, medical groups, and antismoking activists, is to reduce the more than 2,000 deaths caused annually by cigarette-related fires, typically involving a lit cigarette left on a flammable object such as a couch or mattress. Since it takes two to ten minutes for a lit cigarette to make fabric smolder and up to two hours for flames to appear, the campaigners argue that if cigarettes were made to burn cooler or go out automatically when left unpuffed for five minutes, most of the deaths would never occur. Ten states are considering regulations to limit the burn time of cigarettes, and two bills in Congress call for federal steps toward the self-extinguishing cigarette.

Producing such a weed would be difficult, costly, and risky, say manufacturers, who have opposed the fire-safe cigarette from the start. But people at the Tobacco Institute, the industry's lobbying arm, figured there was no way they could defeat this broad coalition head-on, which left them, as they saw it, with three alternatives: give in; get smokers to be more careful; or hook up with the firefighters and, if possible, divide or co-opt them. The first two seemed unrealistic, so it was decided to try the third.

Enter the Tobacco Institute's vast, 20-month-old Fire Prevention and Education Project. So far, the Institute has plied fire departments in New York, Seattle, and seven other cities with slide projectors and films on fire safety; sent 300 volunteer fire departments costly publicity kits to help in fund raising and recruitment; and begun a three-year, $640,000 project to support the National Fire Protection Association (NFPA), whose more than 32,000 members include fire marshals and chiefs and manufacturers of firefighting equipment, in installing smoke detectors in the one third of all U.S. households that don't have them.

The results? The NFPA, the nation's biggest firefighting association and lobby, has taken the position that while research on the cool-burning, self-extinguishing cigarette should go forward, the government shouldn't issue standards. On the other hand, the strategy has set sparks of controversy flying from coast to coast. While most fire departments have accepted the tobacco companies' lar-

A COMMISSION ON TAXES AND SPENDING?

■ In case you're wondering what happened to Charls E. Walker, Washington superlobbyist and architect of the 1981 business tax cuts, the answer is: staying alive—or trying to—in an environment turned hostile to tax cutters. After keeping a low profile last year, when Congress undid nearly half his 1981 handiwork, he's been all over town lately promoting his latest scheme: a blue-ribbon commission on spending and taxes (CST) that, in the manner of last year's Greenspan commission on Social Security, would cook up a politically palatable blend of spending cuts and tax increases for submission in November 1984. In August Walker pitched it to some 300 opinion leaders including members of the Business Roundtable's policy committee, key Congressmen and White House officials, and media heavies.

GARRETT-WOODEN CAMP

Walker: recruiting for the only game in town

The CST has something for everyone. It would relieve Congress of the burden of making hard budget choices before the election while allowing members to tell constituents that something is being done about deficits. For the big, capital-intensive companies Walker represents, the commission would shelter what remains of the 1981 tax cuts for another year or two. And for Walker and his pro-capital-formation confreres, it would provide a forum for flogging their ultimate tax-policy enthusiasm, a consumption tax, under which money invested would be exempt from taxation. Purrs Charlie confidently: "This may be the only game in town."

Although most businessmen and economists like the concept of a consumption tax, Walker's Greenspan gambit is opposed by several business lobbyists who reject any fiscal-policy scheme that presumes the necessity of new taxes. Conservatives also argue that commissions are biased ın favor of raising taxes and against cutting spending. Laments one business lobbyist: "A commission is just going to split things down the middle."

gess, many are uneasy about it, and most firemen continue to back safe-cigarette legislation. Win or lose, the Tobacco Institute deserves some kind of medal for ingenuity.

LOBBIES

Windsurfing on the Anti-Government Tide

■ They believe in freedom and the marketplace and distrust government as the enemy of the individual. They like free trade, competitive currencies, and the volunteer army. They oppose subsidies and entitlements, would cut the defense budget in half, and consider Ronald Reagan just another statist politician. Young, idealistic, sometimes bearded, always argumentative, they make deals with an unlikely array of allies as they windsurf on the anti-government tide sweeping the country. Meet the libertarian lobby, a small but growing force on the capital's public policy scene.

Unlike the Libertarian Party, founded in 1971 and now the largest third party in the U.S., the organizations that make up the libertarian community in Washington avoid social issues and concentrate on economics. The biggest and oldest is the National Taxpayers Union (NTU), founded in 1969, whose members describe themselves as fiscal conservatives rather than libertarians. With 120,000 members and a $1.6-million budget, the NTU helped spearhead California's Proposition 13 tax revolt and after an eight-year battle is only two states shy of the 34 needed to call a constitutional convention to propose an amendment requiring a balanced federal budget. In 1977 it spun off the National Taxpayers Legal Fund to build grass roots support for a flat-rate tax system; the group now has 50,000 contributors.

More in the libertarian mainstream is the Cato Institute, a think tank founded in 1977 with a $1.4 million annual budget supplied mainly by Wichita multimillionaire Charles Koch. Cato publishes a stream of books and policy papers on issues from plant closings (let them go) to foreign policy (the U.S. should abandon a global role). Says Cato President Ed Crane, a former California portfolio manager: "The traditional think tanks see themselves as government's helper. We see ourselves as government's adversary."

Washington's fourth major libertarian voice, the Council for a Competitive Economy, is a lobbying organization. "We've got intellectual ammunition to fight thirty wars," says Fred Smith, the council's chief lobbyist. "What we need are more soldiers." The council, supported mainly by business, is having trouble funding its $300,000 annual budget. To compensate, Smith, a former computer modeler and EPA conservation policy analyst, has been building bridges. He helped bring together the bizarre coalition of environmentalist, New Right, and religious groups that threatens to defeat the proposed $8.4-billion increase in the U.S. contribution to the International Monetary Fund, a measure supported by all major business groups.

Often dismissed as "right-wing crazies," in the words of an official of the National Association of Manufacturers, the libertarians have been surprisingly influential over the years. To them goes much of the credit for the all-volunteer military, the tax-limita movement, and some intriguing new pc proposals like user fees, enterprise zo and privatizing public lands. The libertar have also established a voice in the Re Administration; since the departure of li tarian economist Martin Anderson as I gan's domestic policy adviser, the Adm tration's senior libertarian is Will Niskanen, a member of the Council of I nomic Advisers. Says Richard Rahn, c economist of the U.S. Chamber of C merce: "The libertarians give credible ir lectual underpinning to the notion that can solve problems with smaller rather t bigger government."

As often as not, businessmen and liber ians are adversaries. For example, liber ians are working with environmentalist: oppose the drive by the nuclear power in try to continue federal financing of the bre er reactor under construction along Clinch River in Tennessee. Says a for White House staffer and libertarian syr thizer: "It looks like the hardest sell of a convincing business of the importance of fending free markets."

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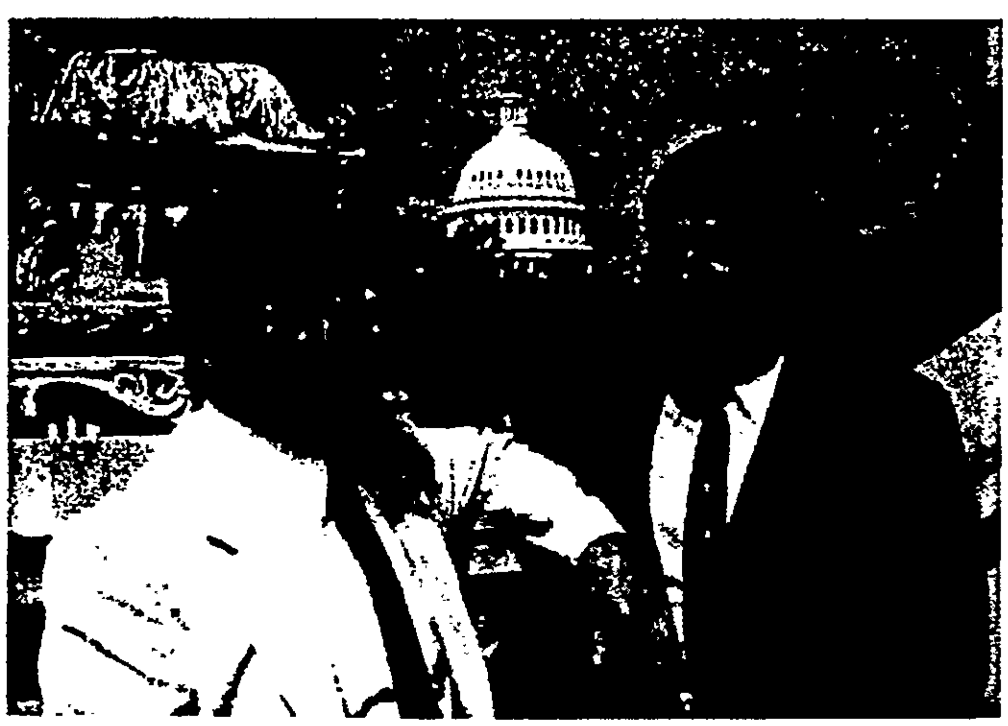
—Fred Smith, chief lobbyist, the Council for a Competitive Economy.



TERRY ASH

Smith (left) and Council President Richard Wilcke

WHY NOT A REAL MONEY MARKET?

■ In the elusive quest for stable mor gold-bugs, supply-siders, monetarists, central bankers all squabble over the h way to manage the money supply. The lil tarians (see text) think they have a be: idea. Why not get the government out of money business altogether and turn to a s tem of competing currencies issued by 1 vate banks and backed by whatever comm ities the market would bear?

While still way out in right field politi ly, that idea has attracted some serious a demic attention. Critics, pointing to the 1 merous U.S. bank failures in the 1 century, when a kind of free banking w permitted, argue that the social costs competitive collapses would be unbeara high. But libertarians say those costs ha been exaggerated. Besides, they point c without competition the government's m ey monopoly virtually guarantees that it v succumb to the temptation to inflate its c rency to buy off interest groups. Writes N bel laureate economist and libertarian gu F. A. Hayek: "There could be no more effe tive check against the abuse of money government."

BankAmeriBucks or Citicents, anyone?